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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**ACCUMULATED FUNDS PAYABLE  
TO BENEFICIARIES OR THEIR  
REPRESENTATIVE PAYEES**

December 2012

A-09-12-21236

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**AUDIT REPORT**

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## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.**

## **Authority**

**The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:**

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

**To ensure objectivity, the IG Act empowers the IG with:**

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

## **Vision**

**We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.**

**MEMORANDUM**

**Date:** December 11, 2012

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Accumulated Funds Payable to Beneficiaries or Their Representative Payees  
(A-09-12-21236)

**OBJECTIVE**

Our objective was to evaluate the Social Security Administration's (SSA) controls over the payment of accumulated funds to beneficiaries or their representative payees.

**BACKGROUND**

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program under Title II of the *Social Security Act*.<sup>1</sup> This program provides monthly benefits to retired and disabled workers, including their dependents and survivors.

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' benefit payments. A representative payee may be an individual or an organization. SSA selects representative payees for OASDI beneficiaries when representative payments would serve the individual's interests.<sup>2</sup>

According to SSA policy, accumulated funds are benefits that (1) accrued before an initial award, (2) were withheld pending the selection of a representative payee, or (3) were conserved and returned to SSA by a former representative payee. If a beneficiary has no representative payee, SSA is required to pay all accumulated funds directly to the beneficiary unless the selection of a representative payee is pending, a capability determination is pending, or a beneficiary requested installment payments.<sup>3</sup>

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<sup>1</sup> *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

<sup>2</sup> *Social Security Act* §§ 205(j)(1)(A) and 42 U.S.C. §§ 405(j)(1)(A).

<sup>3</sup> SSA, POMS, GN 00603.070 (effective June 4, 2007).

If a beneficiary requires a representative payee and the accumulated funds total less than \$4,000, SSA will pay the accumulated funds to the representative payee without any further development. If the accumulated funds total more than \$4,000, SSA must evaluate certain representative payees'<sup>4</sup> ability to handle the benefits.

SSA's automated system generates alerts to notify employees when it suspends payments to a beneficiary pending the selection of a new representative payee. However, once benefits are resumed, there are no automated controls to ensure accumulated funds are paid either to a new representative payee or to the beneficiary. To ensure accumulated funds are paid, SSA employees must establish a manual diary or other control.

We identified 8,265 Title II beneficiaries in current pay status who had accumulated funds that SSA had not paid to the beneficiaries or their representative payees. From this population, we selected a random sample of 200 beneficiaries for review.

## RESULTS OF REVIEW

SSA needs to improve controls to ensure it properly and timely pays accumulated funds to Title II beneficiaries or their representative payees. Based on our random sample, we estimate that

- 4,174 beneficiaries had accumulated funds totaling approximately \$29.9 million that SSA had not paid to the beneficiaries or their representative payees;
- 909 beneficiaries had approximately \$18.6 million in accumulated funds that were correctly paid but not timely;<sup>5</sup> and
- 248 representative payees were paid accumulated funds totaling approximately \$4 million, but SSA had not evaluated their ability to manage the funds, as required.

We are 90-percent confident the number of

- beneficiaries with accumulated funds that SSA had not paid to the beneficiaries or their representative payees ranged from 3,681 to 4,666, and the amount of benefits payable ranged from \$23.3 to \$36.5 million;

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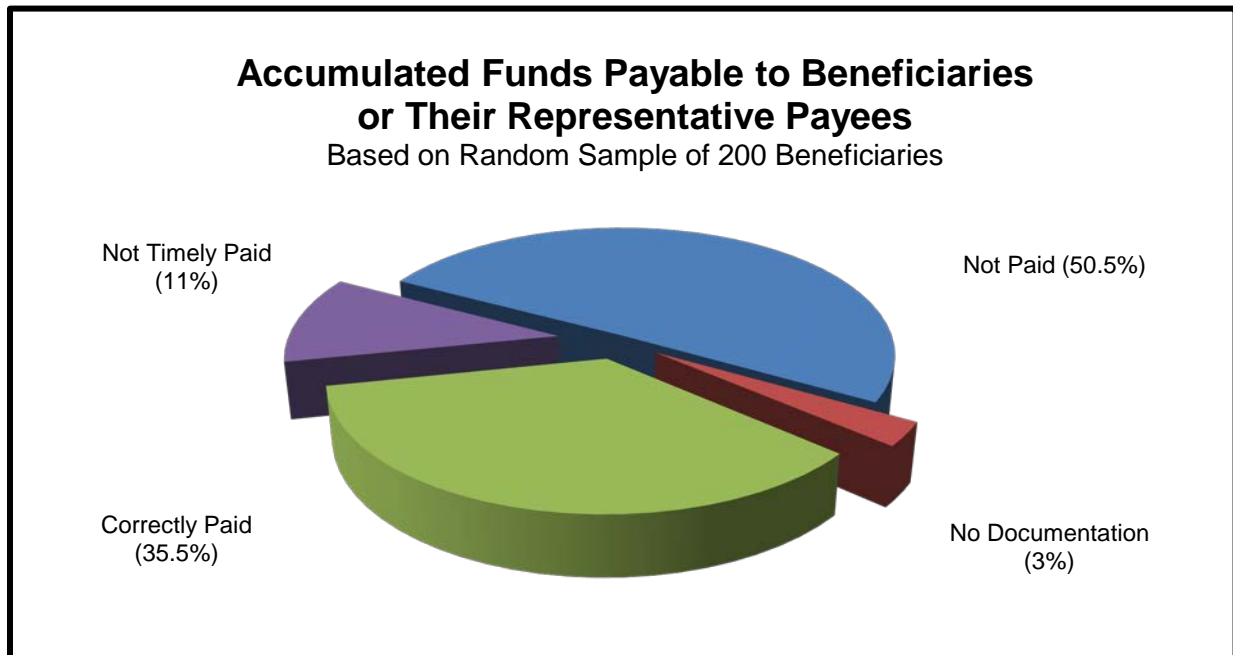
<sup>4</sup> Any representative payee who is not the beneficiary's close relative with custody of the beneficiary, the beneficiary's legal guardian, a bank or trust company, or a social agency or public nonprofit institution with certain principal activities. SSA, POMS, GN 00502.186 A (effective June 4, 2007).

<sup>5</sup> For our review, we used a standard of 90 days to determine whether SSA paid accumulated funds timely.

- beneficiaries with accumulated funds that were correctly paid but not in a timely manner ranged from 629 to 1,263, and the amount of benefits ranged from \$9.5 to \$27.7 million; and
- representative payees whom SSA paid without evaluating their ability to handle the benefits ranged from 110 to 479, and the amount of benefits paid ranged from \$1.2 to \$6.9 million (see Appendix C).

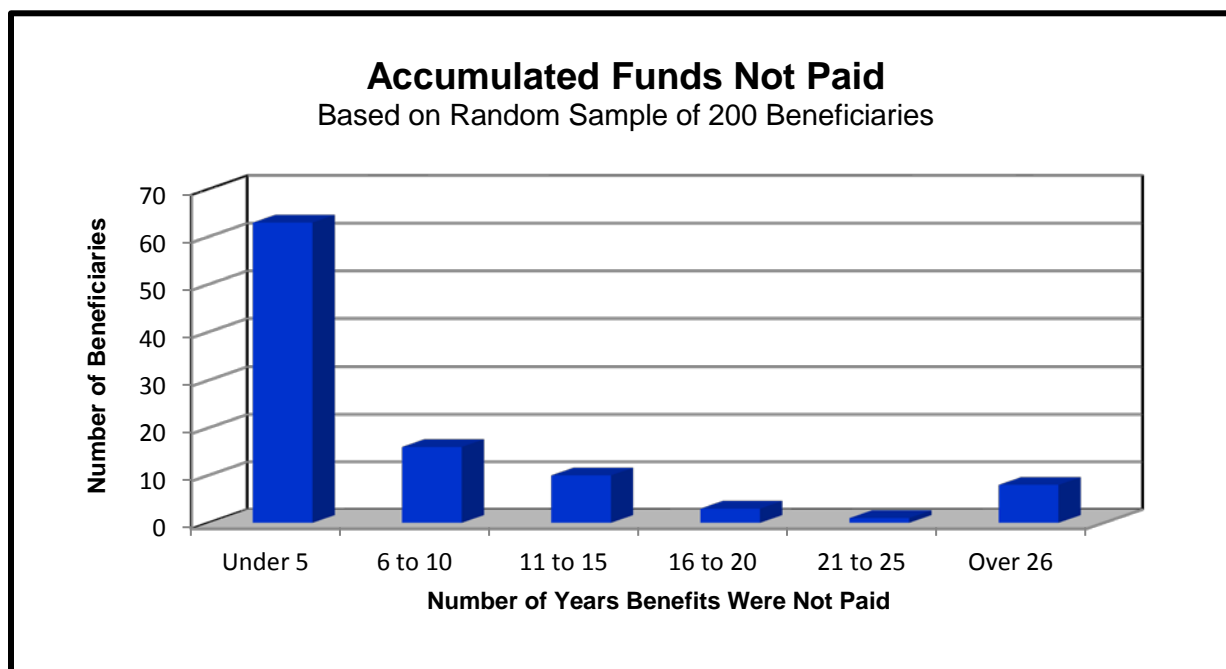
This occurred because SSA did not always (1) establish manual diaries to control the payment of accumulated funds, (2) pay accumulated funds to representative payees when required, or (3) pay all accumulated funds due and payable upon the selection of a representative payee.

Of the 200 beneficiaries in our sample, SSA did not pay 101 beneficiaries (50.5 percent) or timely pay 22 beneficiaries (11 percent). We also found that SSA did not document, as required, whether representative payees could manage the accumulated funds for 6 beneficiaries (3 percent). For the remaining 71 beneficiaries (35.5 percent), SSA had correctly paid the accumulated funds. We summarize the results of our review below.



## ACCUMULATED FUNDS NOT PAID

SSA did not pay accumulated funds for 101 (50.5 percent) of the 200 beneficiaries in our sample. As a result, SSA improperly withheld \$724,401 for these beneficiaries. The average time SSA did not pay the benefits was about 6.8 years (2,499 days).<sup>6</sup> For one beneficiary, SSA had not paid accumulated funds 28 years after they were due and payable. The beneficiary had several representative payees during this period; however, SSA never paid the accumulated funds.



If a beneficiary has no representative payee, SSA policy requires that accumulated funds be paid directly to the beneficiary in a lump sum unless the selection of a representative payee is pending, a capability determination is pending, or a beneficiary requested installment payments.<sup>7</sup> SSA may withhold accumulated funds and pay current benefits directly to beneficiaries on an interim basis. When this occurs, SSA employees must establish manual diaries every 90 days to assess how the beneficiaries are handling their funds. After 270 days, SSA considers beneficiaries capable of managing their own benefits if they are using the benefits to meet their needs. SSA should then pay the accumulated funds to the beneficiary.<sup>8</sup>

<sup>6</sup> The mean was 6.8 years or 2,499 days. The median was 3.5 years or 1,294 days.

<sup>7</sup> SSA, POMS, GN 00603.070 B.2 (effective June 4, 2007).

<sup>8</sup> SSA, POMS, GN 00504.105 B.2 (effective May 18, 2012).

If SSA determines a beneficiary should not be paid directly, it must select a representative payee.<sup>9</sup> Upon selection of a representative payee, SSA employees must pay current benefits and accumulated funds to the representative payee.<sup>10</sup>

Of the 101 beneficiaries, SSA selected representative payees for 60 and paid 41 directly. None of the 41 beneficiaries was pending the selection of a representative payee, was pending a capability determination, or had requested installment payments.<sup>11</sup> We found no evidence that SSA had determined whether the beneficiaries were capable of managing their own benefits. For the 60 beneficiaries who had representative payees, SSA had paid the current benefits but did not pay the accumulated funds.

At the time of our review, SSA did not have manual diaries to monitor the payment of accumulated funds for all 101 beneficiaries. Without manual diaries, the accumulated funds may never be paid.

For example, SSA awarded disability benefits to a beneficiary effective August 2004. SSA determined the beneficiary may have needed a representative payee, but it neither initiated the selection process nor determined whether the beneficiary was able to manage his finances. Beginning in November 2006, SSA paid \$1,477 in monthly payments directly to the beneficiary. However, SSA did not pay \$38,802 in accumulated funds for the period August 2004 through October 2006. We found no evidence there were any manual diaries pending for the beneficiary. As of June 2012, SSA had not paid the accumulated funds to the beneficiary.

### **ACCUMULATED FUNDS NOT PAID TIMELY**

SSA did not timely pay accumulated funds for 22 (11 percent) of the 200 beneficiaries in our sample.<sup>12</sup> As a result, these beneficiaries did not timely receive \$450,207 in benefit payments. As depicted in the chart below, SSA had not paid accumulated funds for as long as 444 days after they were due and payable. The average time SSA did not pay the benefits was 197 days.<sup>13</sup>

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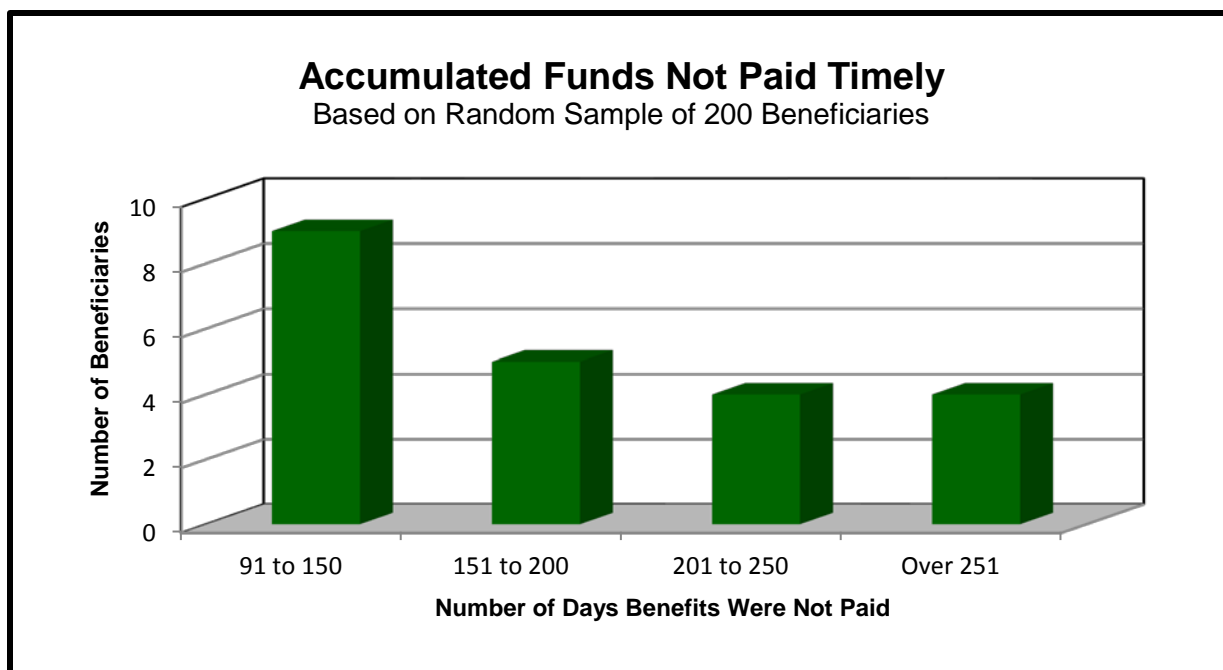
<sup>9</sup> SSA, POMS, GN 00502.010 (effective February 25, 2003).

<sup>10</sup> SSA, POMS, GN 00603.070 B.1 (effective June 4, 2007) and SSA, POMS, GN 00502.186 (effective June 4, 2007).

<sup>11</sup> One of the 41 beneficiaries was paid directly on an interim basis.

<sup>12</sup> For our review, we used a standard of 90 days to determine whether SSA paid accumulated funds timely.

<sup>13</sup> The mean was 197 days. The median was 166 days.



SSA policy states that accumulated funds shall generally be included in the first payment or paid as soon as possible after the selection of a new representative payee.<sup>14</sup> Of the 22 beneficiaries, SSA selected representative payees for 7 and paid 15 directly.

For example, in August 2011, SSA awarded disability benefits to an individual with a date of entitlement beginning in January 2008. At that time, SSA paid current benefits directly to the beneficiary and withheld \$75,469 in accumulated funds. On two occasions, the beneficiary inquired about the payment of the accumulated funds; however, SSA did not take any action to notify the beneficiary that she needed a representative payee until March 2012. The beneficiary's spouse applied 2 days later, and SSA selected him as her representative payee. In April 2012, SSA paid the accumulated funds—but not until 224 days had elapsed.

<sup>14</sup> SSA, POMS, GN 00603.070 B.1 (effective June 4, 2007).



## **PAYMENT OF ACCUMULATED FUNDS IN EXCESS OF \$4,000**

SSA did not determine whether representative payees<sup>15</sup> for 6 (3 percent) of the 200 beneficiaries in our sample could manage accumulated funds over \$4,000. We determined that SSA paid these representative payees \$97,546 in benefits. The average payment was \$16,258.<sup>16</sup> However, we found no evidence that SSA had evaluated the payees' ability to handle the benefits.

SSA policy states that if a beneficiary requires a representative payee and the accumulated funds are less than \$4,000, SSA will pay the accumulated funds to the representative payee without further development. However, if the accumulated funds exceed \$4,000, SSA must evaluate certain representative payees' ability to handle the benefits. Specifically, SSA must determine how the representative payees plan to use the money, determine whether they have experience managing large sums of money, and obtain evidence of the representative payees' ability to handle their own funds. SSA must document its payment decision, including the factors that led to the decision, in its Representative Payee System.<sup>17</sup>

Of the six representative payees, two were friends or neighbors and four were relatives who did not have custody of the beneficiary. As a result, SSA should have evaluated these representative payees' ability to manage the beneficiaries' funds before it paid the accumulated funds.

For example, SSA awarded disability benefits to a beneficiary effective July 2008. In June 2011, SSA selected the beneficiary's aunt as his representative payee and paid \$705 in monthly payments. However, SSA did not pay \$24,514 in accumulated funds. The aunt did not have custody of the beneficiary. Therefore, SSA should have evaluated her ability to handle the accumulated funds. We found no evidence that SSA determined whether the aunt could manage the funds. In November 2011, SSA paid the accumulated funds to the aunt.

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<sup>15</sup> Any representative payee who is not the beneficiary's close relative with custody of the beneficiary, the beneficiary's legal guardian, a bank or trust company, or a social agency or public nonprofit institution with certain principal activities. SSA, POMS, GN 00502.186 A (effective June 4, 2007).

<sup>16</sup> The mean was \$16,258. The median was \$17,563.

<sup>17</sup> SSA, POMS, GN 00502.186 B (effective June 4, 2007) and SSA, POMS, GN 00603.070 B.1 (effective June 4, 2007).

## CONCLUSION AND RECOMMENDATIONS

SSA needs to improve controls to ensure it properly and timely pays accumulated funds to Title II beneficiaries or their representative payees. We estimate that SSA (1) had not paid about \$29.9 million in accumulated funds to 4,174 beneficiaries; (2) did not timely pay about \$18.6 million in accumulated funds to 909 beneficiaries; and (3) paid about \$4 million in accumulated funds to 248 representative payees but had not evaluated their ability to handle the benefits, as required (see Appendix C).

We recommend that SSA:

1. Take appropriate action to pay the accumulated funds for the 101 Title II beneficiaries identified by our audit.
2. Develop a cost-effective method for identifying and paying, as appropriate, Title II beneficiaries who have unpaid accumulated funds.
3. Remind employees to review the ability of certain representative payees to manage accumulated funds over \$4,000 and document the results of its review in its records.

## AGENCY COMMENTS

SSA agreed with all our recommendations. The Agency's comments are included in Appendix D.



Patrick P. O'Carroll, Jr.

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology and Results

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgment

## Acronyms

MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code

### Scope and Methodology

From a data extract from the Social Security Administration's (SSA) Master Beneficiary Record (MBR), we identified a population of 8,265 Title II beneficiaries in current pay status who had accumulated funds that SSA had not paid as of September 2011. From this population, we selected a random sample of 200 beneficiaries for review.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, Code of Federal Regulations, SSA's Program Operations Manual System, and other policy memorandums;
- interviewed SSA employees from the Offices of Operations and Systems; and
- reviewed queries from SSA's MBR, Supplemental Security Record, Payment History Update System, and Online Retrieval System.

We determined the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We performed audit work in Richmond, California, and Baltimore, Maryland, between March and August 2012. The entities audited were the Offices of Operations and Systems under the Offices of the Deputy Commissioners for Operations and Systems.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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## Sampling Methodology and Results

From the Social Security Administration's Master Beneficiary Record, we obtained a data extract of 8,265 Title II beneficiaries in current pay status who had accumulated funds that SSA had not paid as of September 2011. We selected a random sample of 200 beneficiaries to determine whether SSA had adequate controls over the payment of accumulated funds to beneficiaries or their representative payees.

### Accumulated Funds Not Paid

SSA did not pay accumulated funds for 101 (50.5 percent) of the 200 beneficiaries in our sample. As a result, SSA withheld \$724,401 for these beneficiaries. Projecting the results to our population of 8,265 beneficiaries, we estimate that SSA had improperly withheld about \$29.9 million in accumulated funds to 4,174 beneficiaries.

### Accumulated Funds Not Paid Timely

SSA did not timely pay accumulated funds for 22 (11 percent) of the 200 beneficiaries in our sample.<sup>1</sup> As a result, these beneficiaries did not timely receive \$450,207 in benefit payments. Projecting the results to our population of 8,265 beneficiaries, we estimate that SSA had not paid timely about \$18.6 million in accumulated funds to 909 beneficiaries.

### Payment of Accumulated Funds in Excess of \$4,000

SSA did not determine whether certain representative payees<sup>2</sup> could manage accumulated funds over \$4,000 for 6 (3 percent) of the 200 beneficiaries in our sample. We determined that SSA paid \$97,546 in benefits to these representative payees. Projecting the results to our population of 8,265 beneficiaries, we estimate that SSA paid about \$4 million to 248 representative payees without determining whether they could handle the benefits, as required.

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<sup>1</sup> For our review, we used a standard of 90 days to determine whether SSA paid accumulated funds timely.

<sup>2</sup> Any representative payee who is not the beneficiary's close relative with custody of the beneficiary, the beneficiary's legal guardian, a bank or trust company, or a social agency or public nonprofit institution with certain principal activities. SSA, POMS, GN 00502.186 A (effective June 4, 2007).

The following tables provide the details of our sample results and statistical projections.

**Table C-1 – Population and Sample Size**

Description	Number of Beneficiaries
Population Size	8,265
Sample Size	200

**Table C-2 – Accumulated Funds Not Paid**

Description	Number of Beneficiaries	Amount of Benefits
Sample Results	101	\$724,401
Point Estimate	4,174	\$29,935,853
Projection - Lower Limit	3,681	\$23,349,150
Projection - Upper Limit	4,666	\$36,522,556

Note: All statistical projections are at the 90-percent confidence level.

**Table C-3 – Accumulated Funds Not Paid Timely**

Description	Number of Beneficiaries	Amount of Benefits
Sample Results	22	\$450,207
Point Estimate	909	\$18,604,798
Projection - Lower Limit	629	\$9,521,454
Projection - Upper Limit	1,263	\$27,688,142

Note: All statistical projections are at the 90-percent confidence level.

**Table C-4 – Payment of Accumulated Funds in Excess of \$4,000**

Description	Number of Beneficiaries	Amount of Benefits
Sample Results	6	\$97,546
Point Estimate	248	\$4,031,088
Projection - Lower Limit	110	\$1,204,884
Projection - Upper Limit	479	\$6,857,293

Note: All statistical projections are at the 90-percent confidence level.

## Agency Comments





## SOCIAL SECURITY

### MEMORANDUM

**Date:** December 3, 2012 **Refer To:** SIJ-3

**To:** Patrick P. O'Carroll, Jr.  
Inspector General

**From:** Dean S. Landis /s/  
Deputy Chief of Staff

**Subject:** Office of the Inspector General Draft Report, "Accumulated Funds Payable to Beneficiaries or Their Representative Payees" (A-09-12-21236) —INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Amy Thompson at (410) 966-0569.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
“ACCUMULATED FUNDS PAYABLE TO BENEFICIARIES OR THEIR  
REPRESENTATIVE PAYEES” (A-09-12-21236)**

**Recommendation 1**

Take appropriate action to pay the accumulated funds for the 101 Title II beneficiaries identified by our audit.

**Response**

We agree.

**Recommendation 2**

Develop a cost-effective method for identifying and paying, as appropriate, Title II beneficiaries who have unpaid accumulated funds.

**Response**

We agree.

**Recommendation 3**

Remind employees to review the ability of certain representative payees to manage accumulated funds over \$4,000 and document the results of its review in its records.

**Response**

We agree.

## OIG Contacts and Staff Acknowledgment

### ***OIG Contacts***

James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

### ***Acknowledgment***

In addition to those named above:

Tim Meinholz, Senior Auditor

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-09-12-21236.

## **Overview of the Office of the Inspector General**

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

### **Office of Audit**

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

### **Office of the Counsel to the Inspector General**

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

### **Office of External Relations**

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

### **Office of Technology and Resource Management**

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.